

**BOARD OF EQUALIZATION  
STATUS REPORT**

- ☐ Board Members
  - ☒ Business Taxes Committee
  - ☐ Customer Services Committee
  - ☐ Legislative Committee
  - ☐ Property Tax Committee
  - ☐ Technology & Administration Committee
  - ☐ Other
- 

**Topic:**

Work plan to implement special taxes legislative changes enacted in 1999.

**Background:**

As a result of the 1999 Legislative Session, a number of bills were chaptered that affect the Special Taxes Department's administration of their tax and fee programs. A schedule that lists the bills, gives their current status and summarizes their provisions is attached as Exhibit 1. Although none of the bills enact major changes, timely implementation will ensure that the Board continues to administer all tax and fee programs accurately, fairly, and efficiently.

**Current Status:**

Most of the legislative changes do not become effective until January 1, 2000. However, timely implementation requires that the staff start the process prior to that date. The attached work plan, Exhibit 2, details the actions required and the responsible units.

**Conclusion:**

Affirmation of the proposed plan will enable the staff to begin the implementation process.

Prepared by: Special Taxes Department  
Program Planning and Evaluation Division

Current as of: September 15, 1999

## SPECIAL TAXES DEPARTMENT IMPLEMENTATION OF 1999 LEGISLATION

Page 1 of 3

Bill & Chap #	Eff. Date	Provisions	Actions Required:			
			Notification *	New or Amended Regulations /Return	Operations Memo	Annotation Review
<b>AB 145</b>	Upon Chaptering	Allows an insurance tax credit on deposits made by a taxpayer during the year into a community development financial institution that lends to urban, rural, or reservation based communities in this state.	N/A	N/A	N/A	N/A
<b>SB 603</b>	01/01/00	Requires any state agency accepting payments by credit card to notify each payer when sending a billing statement that they are permitted to pay by means of a credit card.	N/A	N/A	N/A	N/A
<b>SB 606</b>	01/01/00	Requires the Department of Toxic Substances Control to adopt regulations that revise the list of specified hazardous wastes that they find are economically and technologically feasible to recycle. It also increases the disposal fee on those wastes which are disposed instead of recycled.	Required	Return	N/A	N/A
<b>SB 702</b>	Upon Chaptering	Prohibits the distribution in California of cigarettes labeled "For Export Only", "U.S. Tax Exempt", "For Use Outside U.S." or similar wording. It would also add provisions to authorize the Board to seize those cigarettes that violate the restriction.	Required	N/A	N/A	N/A
<b>AB 703</b>	01/01/00	Authorizes the Board to collect a fee from any vessel operator or owner which enters into a California port with ballast water loaded from outside the Exclusive Economic Zone (EEZ).	Required	New return required	N/A	N/A
<b>SB 822</b>	01/01/00	This bill would satisfy a requirement established in the 11/23/98 Tobacco Litigation Master Settlement Agreement in order for California to receive its full share under the agreement. It would authorize the Board to adopt any regulations necessary to ascertain, based on the amount of state excise tax paid on cigarettes, the number of taxpaid cigarettes sold by tobacco products manufacturers who do not participate in the federal tobacco products settlement.	Required	N/A	N/A	N/A

\* Notes: General public notice of legislative changes is given each year in the December issue of the Tax Information Bulletin (TIB), Fuel Taxes Newsletter, and Environmental Fees Newsletter. In general, special notices are sent only if the changes result in significant differences in the application of tax or reporting requirements for large groups of taxpayers.

10/07/99

**SPECIAL TAXES DEPARTMENT  
IMPLEMENTATION OF 1999 LEGISLATION**

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Bill & Chap #	Eff. Date	Provisions	Actions Required:			
			Notification *	New or Amended Regulations /Return	Operations Memo	Annotation Review
<b>SB 989</b>	01/01/00	Extends the sunset date of the Underground Storage Tank Maintenance Fee from 1/1/05 to 1/1/11.	Required	N/A	N/A	N/A
<b>SB 1231</b>	01/01/00	This is a Board sponsored bill that would <ul style="list-style-type: none"> <li>Clarify that Certified Uniform Program Agency (CUPA) payments made for the previous year are eligible for the generator fee refund.</li> <li>Delete references to two repealed penalties under the Use Fuel Law.</li> <li>Add references to tobacco products which conform to cigarette tax provisions.</li> <li>Allow reporting periods other than quarterly for the Tire Recycling Fee.</li> <li>Correct a reference to definition to the Childhood Lead Poisoning Fee.</li> <li>Authorize release of confidential information obtained from a tank operator's supplier to the tank owner responsible for the payment of the Underground Storage Tank Maintenance Fee.</li> <li></li> </ul>	Required	N/A	N/A	Required
			N/A	N/A	N/A	N/A
			Required	N/A	N/A	N/A
			N/A	N/A	N/A	N/A
			Required	N/A	N/A	N/A
<b>AB 1638</b>	01/01/00	This is a Board sponsored bill that would <ul style="list-style-type: none"> <li>Authorize the Board to relieve interest where the failure to pay tax is due to an unreasonable error or delay by the Board.</li> <li>Authorize the Board to enter into a written installment payment agreement and provide for advance notice of termination of the agreement in specified circumstances.</li> <li>Specify when interest shall begin to accrue on a notice of determination for repayment of an erroneous refund.</li> <li>Revise requirements for the Board's education and information program for taxpayers and employees.</li> <li>Specify that a taxpayer entitled to be reimbursed for reasonable fees</li> </ul>	Required	N/A	N/A	N/A
			Required	N/A	N/A	N/A
			Required	N/A	N/A	N/A
			Required	N/A	N/A	N/A
			Required	N/A	N/A	N/A

\* Notes: General public notice of legislative changes is given each year in the December issue of the Tax Information Bulletin (TIB), Fuel Taxes Newsletter, and Environmental Fees Newsletter. In general, special notices are sent only if the changes result in significant differences in the application of tax or reporting requirements for large groups of taxpayers.

10/07/99

**SPECIAL TAXES DEPARTMENT  
IMPLEMENTATION OF 1999 LEGISLATION**

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Bill & Chap #	Eff. Date	Provisions	Actions Required:			
			Notification *	New or Amended Regulations /Return	Operations Memo	Annotation Review
		and expenses related to a hearing before the Board must file a claim for the fees and expenses within one year of the date the Board's decision becomes final and place on the Board staff the burden of establishing that its position was substantially justified.				
		<ul style="list-style-type: none"> <li>• Authorize the Board to return levied property in specified circumstances.</li> <li>• Amend the Underground Storage Tank Maintenance Fee Law to authorize the Board to grant relief of the finality penalty in conformity with all other tax and fee laws.</li> </ul>	Required	N/A	N/A	N/A
			Required	N/A	N/A	N/A
<b>SB 1302</b>	01/01/2000	<ul style="list-style-type: none"> <li>• Allows qualified distributors of gasoline to convert taxpaid gasoline to extax gasoline to simplify the administration of the gasoline tax.</li> </ul>	Required	1106, 1118, 1133	N/A	Required

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10/07/99

**Special Taxes Department  
Work Plan for Implementing  
Legislative Changes Enacted in 1999**

Bill No.	Responsible Unit	Action to be Taken	Expected Completion Date
<b>All Bills</b>	Legislative Division, Taxpayer Education Section	Notification of taxpayers will be effected through an article in the December 1999 Taxpayer Information Bulletin, Fuel Taxes Newsletter and Environmental Fees Newsletter. If warranted, a special notice will be mailed to the appropriate taxpayers.  Notification of new legislation to staff	10/15/99  6/30/00
<b>AB 145</b>		<b>Allows an insurance tax credit for deposits made during the year into a community development financial institution that lends to urban, rural, or reservation-based communities.</b>  No action required. The Department of Insurance is responsible for implementing the provisions in the bill.	
<b>AB 603</b>		<b>Requires any state agency accepting payments by credit card to notify each payer when sending a billing statement that they are permitted to pay by means of a credit card.</b>  No action required. The department has already implemented the provisions of the bill.	
<b>SB 606</b>	EFD	<b>Increases the fee on disposed waste which could have been recycled. The Department of Toxics Substance Control to adopt regulations to enforce the provisions of the bill</b>  Notification of bill provisions through the Environmental Fees Newsletter. Amend return to reflect increase rate.	12/15/99 11/30/01
<b>SB 702</b>	ETD	<b>Prohibits the distribution of cigarettes in California which are labeled for sale outside the United States</b>  A special notice detailing the provisions of the bill will be mailed to the taxpayers. Inspect distributor's ending inventory for compliance.	9/30/99 01/31/00
<b>AB 703</b>	EFD	<b>Authorizes the Board to collect a fee from vessel operators or owners entering California ports with ballast water loaded from outside the Exclusive Economic Zone.</b>  Identify and notify owners and operators of vessels subject to the fee by sending a special notice. Register accounts Develop payment mechanism	01/31/00

Note: Update of Board forms and review of annotations will be completed in conjunction with amendment of regulations and operations memos.

Key: **EFD** – Environmental Fees Division (STD); **ETD** – Excise Tax Division (STD); **FTD** – Fuel Taxes Division (STD); **PPED** – Program Planning and Evaluation Division (STD)

**Special Taxes Department  
Work Plan for Implementing  
Legislative Changes Enacted in 1999**

Bill No.	Responsible Unit	Action to be Taken	Expected Completion Date
SB 822	ETD	<b>Authorizes the Board to adopt regulations necessary to comply with the tobacco settlement agreement.</b> A special notice detailing the provisions of the bill will be mailed to the taxpayers.	11/30/99
SB 989	FTD	<b>Extends the sunset date of the Underground Storage Tank Maintenance Fee from 1/1/05 to 1/1/11</b> Notification of the provisions of the bill in the Fuel Taxes Newsletter	11/30/99
SB1231		<b>Board sponsored bill</b>	
Item 1	EFD EFD/Legal	<b>Clarifies the CUPA payments subject to refund.</b> Notification of provisions through Environmental Fees Newsletter. Review annotations.	12/15/99 12/31/99
Item 2		<b>Deletes reference to two repealed penalties.</b>	No action required
Item 3	ETD	<b>Conforms tobacco product tax to cigarette tax provision.</b> Notification of change in the Taxpayer Information Bulletin.	10/15/99
Item 4	ETD	<b>Allows reporting periods other than quarterly in the Tire Recycling Fee program.</b> Identify and notify the feepayers of change in reporting basis.	02/28/00
Item 5		<b>Corrects a reference in the Childhood lead program.</b>	No action required
Item 6	FTD	<b>Release of confidential information to the feepayer.</b> Notification of provisions in the Fuel Taxes Newsletter.	11/30/99

Note: Update of Board forms and review of annotations will be completed in conjunction with amendment of regulations and operations memos.

Key: **EFD** – Environmental Fees Division (STD); **ETD** – Excise Tax Division (STD); **FTD** – Fuel Taxes Division (STD); **PPED** – Program Planning and Evaluation Division (STD)

**Special Taxes Department  
Work Plan for Implementing  
Legislative Changes Enacted in 1999**

Bill No.	Responsible Unit	Action to be Taken	Expected Completion Date
AB 1638		<b>Board sponsored bill.</b>	
Items 1-4	PPED, EFD, ETD, FTD	<b>The bills provisions conform the Taxpayer Bill Of Rights for the Special Taxes programs to the Sales Tax program.</b> Notification of the provisions of the bill through the Fuels Taxes Newsletter, Environmental Fees Newsletter and Tax Information Bulletin.	12/15/99
Item 5	FTD	<b>Conforms finality penalty in the Underground Storage Tank Maintenance Fee with all the other tax and fee law.</b> Notification of the change through the Fuel Taxes Newsletter.	11/30/99
SB 1302	FTD	<b>Allows qualified distributors to convert taxpaid gallons to extax gallons.</b> Notify affected taxpayer through a special notice. Amend tax return instructions. Review annotations Amend Regulations 1106, 1118, and 1133.	11/30/99 12/31/99 12/31/99 Contingent on BTC schedule for 2000

Note: Update of Board forms and review of annotations will be completed in conjunction with amendment of regulations and operations memos.

Key: **EFD** – Environmental Fees Division (STD); **ETD** – Excise Tax Division (STD); **FTD** – Fuel Taxes Division (STD); **PPED** – Program Planning and Evaluation Division (STD)

**BOARD OF EQUALIZATION  
STATUS REPORT**

- ☐ Board Members
  - ☒ Business Taxes Committee
  - ☐ Customer Services Committee
  - ☐ Legislative Committee
  - ☐ Property Tax Committee
  - ☐ Technology & Administration Committee
  - ☐ Other
- 

**Topic:**

Work plan to implement legislative changes to the Sales and Use Tax Law enacted in 1999.

**Background:**

As a result of the 1999 Legislative Session, a number of bills were chaptered that affect the Sales and Use Tax Department's administration of the Sales and Use Tax Law. A schedule that lists the bills, gives their current status and summarizes their provisions is attached as Exhibit 1. Although none of the bills enact major changes, timely implementation will ensure that the Board continues to administer all tax and fee programs accurately, fairly, and efficiently.

**Current Status:**

Most of the legislative changes do not become effective until January 1, 2000. However, timely implementation requires that the staff start the process prior to that date. The attached work plan, Exhibit 2, details the actions required and the responsible units.

**Conclusion:**

Affirmation of the proposed plan will enable the staff to begin the implementation process.

Prepared by: Sales and Use Tax Department  
Program Planning Division

Current as of: September 15, 1999



**SALES AND USE TAX DEPARTMENT  
IMPLEMENTATION OF 1999 LEGISLATION**  
*Revised to Reflect Bills Chaptered Through September 30, 1999*

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Bill & Chap #	Eff. Date	Provisions	Actions Required:			
			Notification *	New or Amended Regulations	Operations Memo	Annotation Review
AB384 Chapt.484	01/01/00	Eliminates some of the irregular sales and use tax reporting and prepayment requirements for the second quarter reporting period.	Required	N/A	N/A	N/A
AB 563 Chapt. 361	Immediate	Excludes from "sale" and "purchase" any transfer by a city, city and county, county, or other local government animal shelter or nonprofit animal welfare organization of any animal for use as a pet and any charges in connection with that transfer.	Required	1587	N/A	Required
AB 790 Chapt.443	01/01/00	Requires the Board, after a 30-day advance notice, to make available a quarterly list of the top twelve delinquent taxpayers who are delinquent for amounts collected as tax or tax reimbursement in excess of one million dollars.	Required	N/A	N/A	N/A
AB990 Enrolled	01/01/00	Authorizes cities and counties to inform the Board of persons applying for business licenses as retailers. Requires the Board to issue permits to applicants within a specified time period and prepare a report on the effects of the measure.	Required	N/A	Required	N/A
AB 1638 Enrolled	01/01/00	Board sponsored bill that: Allows establishment of a uniform policy regarding postal delay dates in processing sales and use tax returns. Conforms the Sales and Use Tax Law to the Internal Revenue Service Restructuring and Reform Act of 1998 in two areas: <ul style="list-style-type: none"> <li>• Suspension of the statute of limitations on filing refund claims during periods of disability.</li> <li>• Providing annual statements to taxpayers with installment agreements.</li> </ul>	Required	N/A	Required	Required
			Required	N/A	Required	N/A
			Required	N/A	N/A	N/A
SB 330 Enrolled	Immediate	Excludes from "sale" and "purchase" the transfer of original drawings at a social gathering for entertainment purposes.	Required	1540 & 1541	N/A	Required

\* Notes: General public notice of legislative changes is given each year in the December issue of the Tax Information Bulletin (TIB). In general, special notices are sent only if the changes result in significant differences in the application of tax or reporting requirements for large groups of taxpayers. In the opinion of staff, the chaptered bills will result in minor changes and will affect only specific and small groups of taxpayers. Consequently, notification through the TIB will be sufficient.

**SALES AND USE TAX DEPARTMENT**  
**IMPLEMENTATION OF 1999 LEGISLATION**  
*Revised to Reflect Bills Chaptered Through September 30, 1999*

Bill & Chap #	Eff. Date	Provisions	Actions Required:			
			Notification *	New or Amended Regulations	Operations Memo	Annotation Review
SB 331 Chapt.455	01/01/00	Requires the Board to report to the Legislature on or before January 15, 2000 on the total sales and use tax revenue collected from any graphic artist, illustrator, or advertising agencies in 1998 and assessed on audits in 1997.	N/A	N/A	N/A	N/A
SB603 Chapt. 203	01/01/00	Requires any state agency to notify payers on the billing statement that they can pay by credit card.	Required	N/A	N/A	N/A
SB963 Chapt. 289	01/01/00	Provides a sales and use tax exemption for sales and purchases of oxygen that is administered to food animals for the prevention or control of disease.	Required	1587	N/A	Required
SB 1210 Enrolled	01/01/00	Provides a sales and use tax exemption for sales and purchases of containers when sold without the contents to persons who place food products for human consumption in the container.	Required	1589	N/A	Required
SB 1302 Enrolled	01/01/00	Board sponsored bill that would: -Delete constitutionally questionable language on "engaged in business" from Section 6203. -Authorize electronic filing of sales and use tax returns. -Limits maximum penalty on EFT to 6%. -Allows independent computation of prepaid tax rates for jet and diesel fuel. -Amends Section 6592 to allow relief of penalty under certain circumstances. -Extends time period for Legislative report on administration fees.	N/A	N/A	N/A	Required
			Required	N/A	Revise 1017	Required
			Required	1703	Revise 1024	Required
			Required	N/A	N/A	N/A
			Required	1703	Revise 1024	Required
			N/A	N/A	N/A	N/A

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**Sales and Use Tax Department  
Work Plan for Implementing  
Legislative Changes Enacted in 1999**

Bill No.	Responsible Unit	Action to be Taken	Expected Completion Date
<b>All Bills</b>	Legislative Division, Taxpayer Education Section	Notification of taxpayers will be effected through an article in the <i>Taxpayer Information Bulletin</i> for December 1999. In the Department's estimate, none of the chaptered legislative changes will require special public notification. Staff is notified through the annual <i>Legislative Bulletin</i> .	10/15/99
<b>AB384</b>	PPD	Revise prepayment returns as required to comply with changed 2 <sup>nd</sup> quarter prepayment rules. Prepare notice to insert in 1Q00 return.	1/31/00
<b>AB563</b>	PPD, Legal	Amend Regulation 1587 to exempt charges by public or private animal shelters or animal welfare organizations.	Contingent on BTC schedule for 2000
<b>AB790</b>	PPD, APRD	Establish procedures for compiling and publishing quarterly list of the twelve top delinquent taxpayers.	As required by statute
<b>AB990</b>	PPD	Design and implement policies to cooperate with cities and counties on the registration of retailers requesting business licenses and to prepare report on the results.	As required by statute
<b>AB1638</b>	PPD	Board sponsored bill that establishes uniform policies for postal delay dates and conforms the Sales and Use Tax Law to the Internal Revenue Restructuring and Reform Act of 1998.  Design and implement policies that conform to the provisions of the bill.	As required by statute
<b>SB 330</b>	PPD, Legal	Amend Regulations 1540 and/or 1541 to exempt charges for drawings made at social gatherings for entertainment purposes. Changes will require only the addition of a section to the Regulations.	Contingent on BTC schedule for 2000
<b>SB331</b>	PPD, APRD	Prepare report for Legislature on taxable revenues reported by graphic artists, illustrators, or advertising agencies in 1998, and on audit assessments of same groups for 1997, by January 15, 2000.	01/15/00
<b>SB963</b>	PPD, Legal	Amend Regulation 1587 to allow exemption for sales and purchases of oxygen, that is administered to food animals for the prevention and control of disease.	Contingent on BTC schedule for 2000
<b>SB1210</b>	PPD, Legal	Amend Regulation 1589 to allow exemption for sales and purchases of empty containers to persons who fill them with food products suitable for human consumption.	Contingent on BTC schedule for 2000

Note: Update of Board forms and review of annotations will be completed in conjunction with amendment of regulations and operations memos.

Key: **APRD** – Agency Planning and Research Division; **LRAS** – Local Revenue Allocation Section; **PPD** – Program Planning Division (SUTD)

**Sales and Use Tax Department  
Work Plan for Implementing  
Legislative Changes Enacted in 1999**

Bill No.	Responsible Unit	Action to be Taken	Expected Completion Date
SB1302		Board sponsored bill to amend various sections of the Revenue and Taxation Code. Required action will vary by section amended. Individual provisions relating to the sales and use tax are shown below in bold type. Provisions not related to the sales and use tax are being implemented by the Special Taxes Department.	
		<b>Deletes constitutionally questionable language on “engaged in business.”</b>	No action needed
		<b>Authorizes electronic filing of sales and use tax returns.</b>	
	PPD	Revise Operations Memo 1017	As required by statute
		<b>Limits maximum penalty on EFT filings and payments to 6%.</b>	
	PPD, Legal	Amend Regulation 1703	Contingent on BTC schedule for 2000
	PPD	Revise Operations Memo 1024	As required by statute
		<b>Allows independent computation of prepaid tax rates for jet and diesel fuel.</b>	
	APRD PPD	Compute rates at the intervals required by statute. Revise sales and use tax returns as required by statute.	As required by statute
		<b>Amends Section 6592 to allow relief of penalty under certain circumstances.</b>	
	PPD, Legal	Amend Regulation 1703	Contingent on BTC schedule for 2000
	PPD	Revise Operations Memo 1024	As required by statute
		<b>Extends time period for Legislative report on fees for administering local and district taxes.</b>	
	LRAS	Complete report by date required by statute.	As required by statute

Note: Update of Board forms and review of annotations will be completed in conjunction with amendment of regulations and operations memos.

Key: **APRD** – Agency Planning and Research Division; **LRAS** – Local Revenue Allocation Section; **PPD** – Program Planning Division (SUTD)